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Report Highlights:

Despite efforts by the Turkish Government to limit oriental tobacco production, the 1999 crop remained close to the previous year's level at 251,000 MT. If future efforts are more successful, production should decrease about ten percent in 2000.

Turkish exports of oriental tobacco and cigarettes continued to remain low, with exports to the United States decreasing by about 40%. Imports of non-oriental tobacco increased slightly, but the market share of U.S. tobacco declined.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

Total 1999 tobacco production is now estimated at about 259,000 MT (farm weight) for all types of tobacco, including 251,000 MT oriental tobacco. Non-oriental tobacco (flue-cured and burley) production remains low, despite increasing domestic consumption. Turkish flue-cured production is about 5,600 MT and burley about 2,400 MT. The GOT is hoping to limit oriental tobacco production in 2000 to 210,000 MT to conform to related budgetary targets which are included in Turkey's agreements with the IMF and World Bank.

Import and export data in this report is based on data provided by TEKEL and which is based on actual exports. (This data differs substantially from official USDA/customs reports, based on arrivals in the United States).

Turkish oriental tobacco exports continued at low levels of about 115,340 MT, compared to record exports in 1995 and 1996, reflecting economic difficulties in the Former Soviet Union (FSU) and successful anti-smoking efforts in other export markets, particularly the United States. In 1999, the EU (43,150 MT) became the primary destination for Turkish tobacco exports, although the United States (36,037) remained the largest single-country market. About 9,500 MT tobacco were exported to FSU countries.

According to the TEKEL data, Turkey imported about 44,990MT non-oriental tobacco in 1999, including 29,000 MT flue-cured and 15,990MT burley. The United States was again the leading supplier of both types with total exports of 23,660 MT. TEKEL does not release breakdowns of imports by non-oriental tobacco types (i.e. burley vs. flue-cured). Turkish exports of non-oriental tobacco during the year was negligible, 370 MT.

Cigarette production, domestic consumption and exports all increased in 1999. Total domestic disappearance reached 115.5 billion pieces and is estimated at 117 billion in 2000. Blended cigarettes in 1999 captured fifty-nine percent of the local market, while non-filtered oriental cigarette consumption decreased to less than two percent. Competitively priced value-blended cigarettes continue to gain market share.

A new law has been prepared for privatization of TEKEL which would separate TEKEL's cigarette manufacturing and leaf tobacco buying sections, which could make it easier for TEKEL to form partnerships with other firms. Some private sector firms have criticized previously proposed laws (and regulations) for further extending TEKEL's influence and control of the sector.

Turkish cigarette exports increased to 9.5 billion pieces in 1999. Ninety percent of the exports are done by one private manufacturer and the rest by TEKEL. Middle Eastern countries were the main destinations.

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	288300	288300	283600	283500	269900	243500
Beginning Stocks	293898	292898	311010	310010	335150	334630
Farm Sales Weight Prod	260750	260750	260000	259000	238600	218000
Dry Weight Production	217570	217570	215640	214640	197260	181640
U.S. Leaf Imports	22350	22350	25000	23660	24000	23000
Other Foreign Imports	14850	14850	18000	21330	20500	24500
TOTAL Imports	37200	37200	43000	44990	44500	47500
TOTAL SUPPLY	548668	547668	569650	569640	576910	563770
Exports	128808	128808	125500	115710	125000	125500
Dom. Leaf Consumption	67350	67350	67000	76000	69750	71250
U.S. Leaf Dom. Consum.	26000	26000	25000	23400	24000	23500
Other Foreign Consump.	15500	15500	17000	19900	19000	21900
TOTAL Dom. Consumption	108850	108850	109000	119300	112750	116650
TOTAL Disappearance	237658	237658	234500	235010	237750	242150
Ending Stocks	311010	310010	335150	334630	339160	321620
TOTAL DISTRIBUTION	548668	547668	569650	569640	576910	563770

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Oriental				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	290000	285000	0	280000	0	240000
Beginning Stocks	268069	274069	271069	297561	0	320221
Farm Sales Weight Prod	260000	254000	0	251000	0	210000
Dry Weight Production	216000	212000	0	208000	0	175000
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	484069	486069	271069	505561	0	495221
Exports	150000	125508	0	115340	0	125000
Dom. Leaf Consumption	63000	63000	0	70000	0	65000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	63000	63000	0	70000	0	65000
TOTAL Disappearance	213000	188508	0	185340	0	190000
Ending Stocks	271069	297561	0	320221	0	305221
TOTAL DISTRIBUTION	484069	486069	0	505561	0	495221

Production

Oriental tobacco production for MY1999 is estimated at about 251,000 MT(farm weight), despite the GOT and TEKEL's stated goal of limiting production to about 220,000 MT. Large production (70,000 MT) in the Southeast Anatolia region, of mostly low quality tobacco, exceeded official projections. Production in other regions fell within the targeted production limits i.e., 4, 200 MT in Marmara region, 37,200 MT in Black Sea region, 129,000 MT in Aegean region and 9,300 MT in East Anatolian region. Two large tobacco crops in a row have forced the GOT to introduce yet another plan and intensify its efforts (thwarted repeatedly by both economic and political considerations) to limit oriental tobacco production to 210,000 MT through strict enforcement of quota distributions. A major goal of the program is to limit production in Southeast Anatolian to 35,000 MT.

Consumption

Domestic consumption of oriental tobacco has stagnated due to the increasing popularity of blended cigarettes and newly introduced, moderately priced value brands. During some years TEKEL burnt its low quality old tobacco to open up warehouse space. In 1999, a large warehouse fire destroyed about 5,000 MT oriental tobacco.

Trade

Turkish oriental tobacco exports remained low compared to 1996 and 1997, reflecting decreased demand in various import markets, particularly the United States, where anti-smoking efforts have reduced consumption, and the FSU, reflecting economic difficulties and decreased purchasing power.

During 1999, A grade tobacco exports were 33,582 MT with an average price of US\$5.96/kg and B grade tobacco exports were 21,936 MT, at an average price of US\$5.07/kg. Average prices for other types were: US\$2.88/kg for "kappa", 1.85 "kappa kappa", and US\$0.64/kg for scrap tobacco. Turkey also exported mixed quality tobacco known as "class unique". Exports of this quality tobacco in 1999 reached 30,648 MT, with the average price of US\$3.02 per kg.

Export Trade Matrix			
Country	Turkey		
Commodity	Tobacco, Unmfg., Oriental		
Time period	MY1999	Units:	Metric Tons
Exports for:			1
U.S.	36037	U.S.	
Others		Others	
Germany	17729		
Holland	7647		
Greece	5811		
Russia	4667		
Ukraine	4112		
Switzerland	3754		
S.Korea	3655		
Indonesia	3262		
Czech Rep.	2716		
France	2692		
Total for Others	56045		0
Others not Listed	23258		
Grand Total	115340		0

Stocks

GOT efforts to lower oriental tobacco stocks to acceptable levels, using a combined approach of production controls (quotas), higher exports, and stock disposals via burning, were successful until 1997. But continued production increases, especially in the Southeast Anatolian region, pushed oriental tobacco stocks to higher levels.

Policy

Tobacco imports are subject to a 25 percent customs duty, plus a US\$3 per kg tobacco import fund charge.

Marketing

Current regulations do not require manufacturers to print tar and nicotine levels on cigarette packages, but do require a notice stating that cigarette smoking is harmful to health.

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Flue Cured				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	2200	2300	0	2500	0	2500
Beginning Stocks	14081	12881	15581	8281	0	10061
Farm Sales Weight Prod	4300	5100	0	5600	0	5600
Dry Weight Production	3500	4200	0	4650	0	4650
U.S. Leaf Imports	20500	15350	0	15400	0	15000
Other Foreign Imports	10500	8350	0	13600	0	14500
TOTAL Imports	31000	23700	0	29000	0	29500
TOTAL SUPPLY	48581	40781	15581	41931	0	44211
Exports	1000	2000	0	370	0	500
Dom. Leaf Consumption	3500	3000	0	4000	0	4000
U.S. Leaf Dom. Consum.	19000	18000	0	15000	0	15500
Other Foreign Consump.	9500	9500	0	12500	0	13500
TOTAL Dom. Consumption	32000	30500	0	31500	0	33000
TOTAL Disappearance	33000	32500	0	31870	0	33500
Ending Stocks	15581	8281	0	10061	0	10711
TOTAL DISTRIBUTION	48581	40781	0	41931	0	44211

Production, Flue-cured Tobacco

Flue-cured tobacco production for 2000 should remain at 1999 levels, despite an increase in consumption. International companies and other observers in Turkey say that their reluctance to invest in this area reflects concerns about the industry's future, partially based on problems the cigarette industry is facing in the United States. GOT domestic tobacco sector policies are also reported to discourage some investors. During 1998 TEKEL and RJR formed a joint venture company, ReYTEK, to meet their demand for flue-cured and burley tobacco through local production. Their goal is to increase production by ten percent per year and reach 10,000 MT total production for both types by the year 2005. In 1996, Phillip Morris (PM) contracted an international tobacco company to produce flue-cured and burley tobaccos in the Marmara region. But the high cost of initial investment (drying barns) and operation costs (fuel) reduced the program's impact.

Consumption

Flue-cured consumption continues to increase to reflect rising popularity of blended cigarettes. Industry analysts now forecast that blended cigarettes will capture about 62 percent of local cigarette market in 2001. Their market share in 2000 is estimated at 60 percent.

Trade

According to TEKEL data, Turkey imported a total of 44,990 MT of non-oriental tobacco in 1999 with about 29,000MT flue cured (unstemmed and stem). Official trade data does not differentiate between non-oriental tobacco types, making differentiated trade matrices impossible. According to TEKEL figures, the United States was the leading supplier with about 15,400cMT. Until 1994 the United States was the only supplier of non-oriental tobacco to Turkey. Since then private cigarette manufacturers and later TEKEL, introduced low cost blended cigarettes that contains African, South American, and Asian flue cured tobacco. In 1999 TEKEL reported purchases of about 16,000 MT of U.S. tobacco from auction, of which 10,000 MT was flue cured.

Imports of flue cured tobacco from Zimbabwe in 1999 increased to 6,250 MT. Turkey also imported 3,470 MT flue cured tobacco from S.Korea and a total of 3,860 MT of scrap, including 1,212 from China. Homogenized tobacco imports reached 12,570 MT of which U.S. and France are the leading suppliers with 11,3807 MT and 750 MT respectively. Turkey imported about 3,774MT of precut tobacco in 1999 of which Switzerland was the leading supplier with 3,447 MT.

Turkey exported 370MT of non-oriental tobacco during 1999, all flue cured. Switzerland was the main importer.

PSD Table						
Country	Turkey					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	1100	900	0	1000	0	1100
Beginning Stocks	5462	5948	5962	4168	0	4348
Farm Sales Weight Prod	2200	1650	0	2400	0	2400
Dry Weight Production	1850	1370	0	1990	0	1990
U.S. Leaf Imports	11500	7000	0	8260	0	8000
Other Foreign Imports	3300	6500	0	7730	0	10000
TOTAL Imports	14800	13500	0	15990	0	18000
TOTAL SUPPLY	22112	20818	5962	22148	0	24338
Exports	0	1300	0	0	0	0
Dom. Leaf Consumption	1850	1350	0	2000	0	2250
U.S. Leaf Dom. Consum.	11000	8000	0	8400	0	8000
Other Foreign Consump.	3300	6000	0	7400	0	8400
TOTAL Dom. Consumption	16150	15350	0	17800	0	18650
TOTAL Disappearance	16150	16650	0	17800	0	18650
Ending Stocks	5962	4168	0	4348	0	5688
TOTAL DISTRIBUTION	22112	20818	0	22148	0	24338

Production, Burley Tobacco

As with flue cured tobacco, high production costs, more attractive alternative crops, and the availability of lower priced supplies from Africa and South America keep production from increasing.

Consumption

The increasing popularity of blended cigarettes has resulted in increased burley tobacco consumption.

Trade

According to available information, Turkey imported about 15,990 MT of burley tobacco during 1999. Official figures are not available but about 6,000 MT is believed to be U.S. burley purchased at auction and 2,725 MT from Malawi.

PSD Table						
Country	Turkey					

Commodity	Tobacco, Mfg., Cigarettes			(MIL PCS)		
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Filter Production	112000	116000	0	123000	0	126000
Non-Filter Production	2500	2020	0	2000	0	2000
TOTAL Production	114500	118020	0	125000	0	128000
Imports	30	0	0	0	0	0
TOTAL SUPPLY	114530	118020	0	125000	0	128000
Exports	12500	8720	0	9500	0	10000
Domestic Consumption	102030	109300	0	115500	0	118000
TOTAL DISTRIBUTION	114530	118020	0	125000	0	128000

Production, Cigarette

Cigarette production is estimated at about 125 billion pieces. Oriental cigarette production in MY 1999 is believed to account for about thirty eight percent of total production, compared to forty-one percent in 1998. About fifty-eight percent of TEKEL's cigarette production are oriental-type and the rest are blended. About 99 percent of privately manufactured production are blended cigarettes.

Fierce competition is taking place between cigarette manufacturers to gain market share. TEKEL now controls about seventy percent of the market, while Phillip Morris (PM) has twenty-three percent and RJ Reynolds (RJR), seven percent. The market share of TEKEL-2000 declined to twenty-five percent of the blended cigarette market from thirty percent last year. With the market share of oriental brands declining and full-flavor brands remaining constant, value blended brands are capturing a larger portion of the market.

To meet domestic and export demand, manufacturers have increased their production capacity. PM finalized its project to increase its production capacity at its plant in Torbali, Izmir, from the current level of 20 billion pieces per year to 28 billion pieces. RJR is also investing to increase production to increase its capacity from the present 12 billion to 20 billion pieces. Meanwhile, TEKEL's new cigarette plant in Samsun Ballica, which opened in 1997, has a 5 billion per shift capacity and the capability of producing both oriental and blended cigarettes.

Consumption

Despite strict anti-smoking legislation, which has now been implemented, cigarette consumption is generally increasing two to three percent per year. Higher increases during 1998 and 1999 reflect increased stocks at manufacturer and retailer levels due to lower than expected exports. Also, retailers are holding more than the usual amount of cigarettes to respond to anticipated price increases.

Prices

Manufacturers adjust their prices periodically to protect against high local inflation which was about sixty percent last year. Following a major earth quake in August 1999, the GOT allowed TEKEL to increase its cigarette prices and private manufacturers followed with corresponding increases.

Company&Brand (Pack of 20)	April 1999 Price (US\$=390,000)	April 2000 Price (US\$=607,000)
=====	=====	=====
Phillip Morris:		
Marlboro 100's	450,000	850,000
Marlboro Light	450,000	850,000
Marlboro 85's	400,000	800,000
Parliament	450,000	800,000
L&M 100's	275,000	600,000
L&M 85 mm	250,000	550,000
Chesterfield	350,000	550,000
 RJ Reynold:		
Camel 100's	425,000	NA
Camel 85mm Light	400,000	800,000
Camel 85 mm Light	400,000	800,000
Monte Carlo 100's	210,000	500,000
Winston	250,000	600,000
 TEKEL		
Maltepe 100's	140,000	325,000
Maltepe 85 mm	115,000	275,000
Samsun 100's	140,000	325,000
Samsun 85 mm	115,000	275,000
TEKEL 2000 100's	320,000	650,000
TEKEL 2000 85 mm	250,000	600,000
TEKEL 2001 100's	200,000	500,000
Yeni Harman	140,000	325,000

Trade

Turkey is becoming a major export point for cigarettes due to its location and lower cost of production. Exports in 1999 were reported to be 9.5 billion pieces, up from 8.7 billion in 1998. Two thirds of the cigarette exports in Turkey are done by private manufacturers and the rest by TEKEL. The Gulf states and the neighboring Middle Eastern countries are the main destinations for Turkish cigarette exports.

Export Trade Matrix			
Country	Turkey		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	MY1999	Units:	Million pieces
Exports for:			1
U.S.		U.S.	
Others		Others	
U.A.E.	5091		
Lebanon	2709		
Switzerland	395		
Ukraine	387		
Belgium	255		
Azerbaijan	185		
Jordan	101		
Bulgaria	54		
N.Cyprus	53		
Russia	44		
Total for Others	9274		0
Others not Listed	261		
Grand Total	9535		